Final Review

of the

Implementation of the Brussels Programme of Action (BPOA)

2001-2010

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LESOTHO

GOVERNMENT OF LESOTHO

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1. Introduction

In May 2001, the Third United Nations Conference on Least Developed Countries adopted the Brussels Programme of Action (BPOA) for Least Developed Countries (LDCs) 2001-2010. The BPOA contained seven interlinked commitments: a) fostering a people-centered policy framework, b) good governance at national and international levels, c) building human and institutional capacities, d) building productive capacities to make globalization work for LDCs, e) enhancing the role of trade in development, f) reducing vulnerability and protecting the environment, and g) mobilizing financial resources.

This report serves to comprehensively evaluate the progress made by Lesotho on the implementation of the Brussels Programme of Action, for presentation at the Fourth UN Conference in 2010. The evaluation seeks to shed light on key accomplishments and critical constraints in delivering the goals of the current programme, as well as assessing the impact of the global financial and economic crisis. It also seeks to plot the way forward, examining what policies and measures at national and international levels are needed over the next ten years to eradicate poverty and achieve sustainable development.

2. National Development Planning Process

2.1 National Development Policy Frameworks

In 2000, His Majesty King Letsie III made a clarion call on the Basotho Nation to work with the Government of Lesotho (GoL) to produce a long term National Vision that will guide development efforts in Lesotho. The National Vision 2020 was published in 2004. This *Vision 2020* document was developed using extensive consultative and participatory process whereby all Basotho were encouraged to make their views, beliefs, priorities and aspirations known. These are embodied in the Vision statement:

'By the year 2020 Lesotho shall be a stable democracy, a united and prosperous nation at peace with itself and its neighbours. It shall have a healthy and well developed human resource base, its economy shall be strong, its environment well managed and its technology well established'.

In order to facilitate the implementation of the National Vision, the Government prepared the 2004/05 – 2006/07 *Poverty Reduction Strategy Paper* (PRSP), outlining strategies and programmes that were needed over a three year period to put Lesotho on a sustainable path towards poverty eradication and also achieving the Vision priorities. The programmes that were targeted at achieving MDGs were also integrated in the PRS. The PRSP implementation period expired in 2008, following which, a thorough review of the PRSP process was carried out. It was then found that many of the policies and programmes included in the PRSP were implemented, but weak institutional capacity and lack of a well defined and focused growth and job creation strategy prevented Lesotho from performing better than she did..

Although the priorities and goals contained within the PRSP remain valid as a credible expression of the aspirations of the Basotho nation, an updated and comprehensive National development strategy is required to respond to the changing development climate since the PRSP was developed and to employ more effective strategies, including effective integration of trade, to exploit opportunities and address challenges facing Lesotho. Hence, GoL is committed to prepare a *National Development Plan* (NDP)[1] to replace the PRSP through wide consultation and collaboration with non-state actors, starting in 2009. An *Interim National Development Framework* is however in place to help guide resource allocation until the NDP is complete. This has the following overarching priorities:

- Pursuing high, sustainable, shared, private sector led economic growth that generates employment
- Reducing social vulnerabilities through enabling the disadvantaged to participate in the growth process and protecting the vulnerable who are unable to benefit from the growth process
- Scaling up the fight against HIV and AIDS, both in terms of prevention, treatment and mitigation

2.2 National Development Challenges

Lesotho made significant progress in instituting reforms and programmes that address poverty, facilitate economic growth acceleration and improve governance and democracy, including public service delivery. However, key development challenges are high poverty levels and unemployment, food insecurity and malnutrition, having one of the highest HIV and AIDS prevalence in the world and environmental degradation that further undermines precarious livelihoods. However, several factors threaten GoL's success in addressing the challenges and realisation of the gains made from the policy and institutional reforms and investments made in the last decade.

About **58 per** cent of the population is living below the poverty line and unemployment is estimated at 22 per cent, including then informal sector. The textiles and clothing sector and the government are the highest sources of formal employment domestically, with employment of about **42,000 (from above 50,000 in 2008) and around 46,000 respectively.** Many Basotho, especially males, have traditionally sought work in South African mines and industries. The remittances from these workers have been the mainstay of many rural households and communities. Rapid retrenchment of miners (from 1996 – 2008, the number of Basotho mineworkers fell from 110,685 to approximately 52,000) has not been absorbed by domestic job creation and thus has removed the primary source of income from many families, as well as those who relied upon the domestic circulation of this income. The preliminary results of the 2009 Continuous Multi Purpose Household Survey showed that the long term unemployment rate was 22% but that only 45% of these people were in work at any given time.

The continuing retrenchments in SA mines with the economic slow down, especially in RSA means that an increasing number of Basotho households, who previously relied on mine remittances, have to depend much more on agricultural production. The commercial lift off in agriculture is however slow and production is erratic with yields also being relatively low on average. Ann estimated 553 000 Basotho (out of a population of approximately 1.9 million) were unable to meet their minimum annual food requirements according to the Lesotho Vulnerability Assessment Committee (LVAC 2007). Furthermore, as a result of climate change, the country is facing increased frequency and intensity of droughts, higher temperatures and a greater level of environmental degradation, which will further lower yields and make them more volatile.

HIV prevalence rates in Lesotho is estimated to be the third highest in the world at around 23.2% for adults aged 15-49 (NAC/UNAIDS 2005). On top of the human and social consequences, as HIV predominantly affects those of working age, productivity is lower due to high morbidity and income

[1] An inclusive, consultative process to develop the NDP is expected to take approximately 18 months.

earning potential of households is compromised. The number of orphaned children is estimated at 150 000 and there is ever increasing number of orphan headed households (UNICEF 2008).. Life expectancy has declined from to years of age.

Malnutrition is also a big problem in Lesotho due to chronic food insecurity arising from the limited livelihood options and low agricultural yields. Lesotho has one of the highest rates of chronic malnutrition in the world (as manifested by stunting). In the 2007 National Nutrition Survey, it was found that 54.9% of children in one district (Thaba Tseka) were stunted. 13.8% of children under five were found to be chronically underweight; compared to the MDG target of 8%. This not only irreparably impacts on people's long run mental and physical development, but it also makes people less able to fight HIV and AIDS when they have it. Furthermore, Anti Retroviral Treatment is not effective unless the recipient has adequate nutrition levels.

However, the current economic crisis compounded with increasing global trade liberalisation and erosion of trade preferences for LDCs pose significant threats on the capacity of the government to respond to the development challenges mentioned. The current crisis has had significant negative impact particularly on the fiscus and the export sector. The transmission mechanism to the Lesotho's fiscus is mainly through the contraction of the Southern African Customs Union (SACU) revenue pool. In 2008/09, SACU receipts accounted for about 55.6% of all revenue, excluding grants, indicating the importance of this source of revenue to arrest development deficits facing Lesotho. There are several emerging threats to the size of the SACU revenue pool and to the respective shares of member states. These are outlined in more detail in Section 3.7. The Lesotho's revenue from SACU is expected to shift to a lower level and a slower growth path. The challenge for the future is to replace this SACU revenue through developing other sources of domestic revenue through expansion of the productive base. The Government has to contain expenditure to prudent levels whilst improving allocation efficiency and cost effectiveness.

Secondly, as a result of declining demand in the US market and other developed economies export of textiles and clothing and diamonds declined significantly, leading to closure of some factories and/or reduction of utilisation capacity thus leading to contraction of output and job losses.

Addressing these challenges will have to be the focus of the new National Development Plan

3. Assessment of Progress and Challenges in the Implementation of the Brussels Programme of Action

3.1: Fostering a people-centered policy framework

Trends in Growth and Investment

The principal target of the Brussels Programme of Action was to attain a GDP growth rate of at least 7% per annum, supported by a ratio of investment to GDP of at least 25% per annum.

Table 1: GDP trends 2000-2010 (Million Maloti) at 2004 Constant Prices

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Real GDP	6996	7287	7365	7685	7858	7941	8457	8663	9049	9087	9401
Real GDP Growth		4.2%	1.1%	4.3%	2.3%	1.1%	6.5%	2.4%	4.5%	0.4%	3.4%
Real GNI	9884	10629	10665	10248	10599	10393	11635	11990	12352	11913	12192
Real GNI Growth		7.5%	0.3%	-3.9%	3.4%	-1.9%	12.0%	3.0%	3.0%	-3.6%	2.3%
Real GNDI	12221	13273	13157	12565	13252	12994	15198	15303	17153	16328	14666
Real GNDI Growth		8.6%	-0.9%	-4.5%	5.5%	-2.0%	17.0%	0.7%	12.1%	-4.8%	-10.2%

Source: Ministry of Finance and Development Planning. Figures for 2008 are provisional and 2009 and 2010 are estimates.

Table 1 shows that real GDP increased from M6,996 million to M9,049 between 2000 and 2008 and was projected to rise to M9,401 by the end of the decade. This gives an average annualised growth rate of 3.0% over the decade. Even discounting the last two years of the decade and the impact of the global economic crisis, average growth was only 3.3% between 2000 and 2008. Therefore, Lesotho has never met the its target of 7%.in the last decade. Annualised growth rates for Gross National Income (2.1%) and Gross National Disposable Income (1.8%), taking into account remittances and SACU revenue respectively, are very close to that of GDP, although they fluctuate much more year on year due to changes in the exchange rate and the SACU revenue pool.

Table 2 shows investment rates over the decade. Investment has been significantly higher than the Brussels Programme of Action target of 25%, averaging 32.1% annually. The trends also show that the share of investment to GDP has been increasing in the last decade. Government investment to GDP almost doubled in 2008 as compared to 2003. Investment has been dominated by private sector investment, which averaged 21.2% of GDP annually over the period.

Table 2: Investment Rates (all figures in million Maloti)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Real GDP	6996	7287	7365	7685	7858	7941	8457	8663	9049	9087	9401
Total Investment	2875	2789	2598	2542	2119	2083	2204	2460	2906	3067	3228
Government	338	412	413	221	326	152	343	358	688	803	877
LHDA	1070	1010	856	563	245	198	181	154	194	182	178
Private	1468	1368	1330	1758	1548	1734	1681	1948	2023	2082	2173
Investment/GDP	41%	38%	35%	33%	27%	26%	26%	28%	32%	34%	34%
Govt I / GDP	5%	6%	6%	3%	4%	2%	4%	4%	8%	9%	9%
Private I / GDP	21%	19%	18%	23%	20%	22%	20%	22%	22%	23%	23%

Source: Ministry of Finance and Development Planning. Figures for 2008 are provisional and 2009 and 2010 are estimates.

Given that Government spending as a proportion of GDP is very high at 62% of GDP in 2008/09, this suggests that the share of government expenditure has to increase in areas that crowd in private investment, especially in industries with high labour intensities.

Annex I shows GDP performance broken down across sectors. In brief, it shows that:

- Agriculture has stagnated over the decade. The value of production has fallen over the decade.
- Mining has grown quickly over the last few years but still represents a small proportion of the economy.
- The textiles sector is still crucial for the economy, but output has stagnated since 2004.
- The tertiary sector of the economy is bigger than the primary and secondary sectors combined but this is dominated by Government expenditure, largely funded by SACU transfers.

What does this imply for poverty and unemployment?

The 2002/03 Household Budget Survey (HBS) found that 56.6% of households are poor and on average 29.1% were below the national poverty line of M149.91. In 2009, the Lesotho Vulnerability Assessment Committee (LVAC) found that 450,446 Basotho were unable to meet their minimum food and essential expenditure requirements. Moreover, inequality remains very high, as the poorest 10% earn less than 1% of national income. This is partially due to high levels of employment.

What actions have been taken to offset this?

In the face of these challenges, the GoL with the support of various development partners have done much to try and reduce poverty and unemployment. The key programmes implemented were contained in the PRS and priority areas were employment creation, improving food security, developing infrastructure, deepening democracy, governance, safety and security, improving quality and access to health services, access and quality of education, conserving and managing the environment and improving public service delivery. The highest ranking cross-cutting challenges to be addressed were HIV and AIDS, Gender inequalities and children and Youth issues.

However, Lesotho's performance in terms of poverty reduction has been limited over the decade. This is because economic growth has been low and not broad based. Since 2006, Economic growth was mainly driven by the mining sector which has limited direct effects on poverty reduction as it is not labour intensive and many of the profits are repatriated abroad. The textiles and clothing industry has the highest contribution to GDP, but output remained stagnant since 2004. As compared to other countries with similar stages of development, aid flows were limited and Low economic growth could not generate enough additional resources to expand human development and social protection programmes to the required levels.

Some of the key social protection programmes for reducing vulnerability were:

- The Old Age Pension, the second in Sub Saharan Africa when it was introduced in 2004 and now worth M300 per month. This is non contributory and given to all 79,565 Basotho over the age of 70. This is especially important for reducing overall vulnerability as the elderly bear a disproportionate burden in caring for the sick, the disabled, orphans and vulnerable children.
- Primary school feeding every day for all 380 000 primary school students. This not only encourages children to attend school, but also gives them more strength and energy to improve concentration and learning and helps address the consequences of malnutrition discussed in Section 2.
- The Child Support Grant; initially funded by the European Commission, this seeks to give flexible cash grants to those looking after the neediest orphaned and vulnerable children. This is worth M360 per family per quarter and the aim is to extend it to 60,000 OVCs. Three pilot areas covering 3000 OVCs are receiving the grant to date.
- Building 'homestead gardens' that produce food but require very little effort from households (for example keyhole gardens). For vulnerable households, these gardens can form a primary source of household nutrition, food security and income. This is a key part of the National Action Plan on Food Security (2006) which seeks to try and address malnutrition and food insecurity in an integrated manner.

3.2: Good Governance at National and International Levels

Democracy, Rule of Law and Human Rights

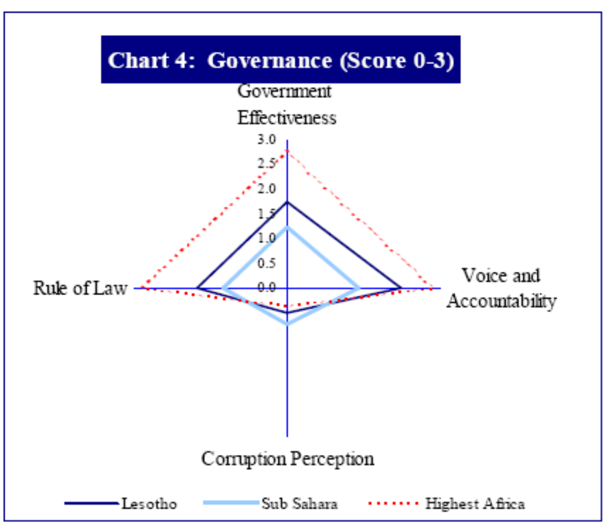
Lesotho is a constitutional monarchy with the King as the Head of State, but its executive powers are vested in the elected Prime Minister. Lesotho is also a multi-party democracy and uses the Mixed Member Proportional (MMP) model (4^{th} Constitutional amendment of 2001) which combines the advantages of First - Past – the Post (FPTP) and Proportional representation (PR) by apportioning the 120 seats between Constituency seats and party seats which are 80 and 40 respectively. In contrast to the FPTP model, the MMP permits minority political parties to be represented in Parliament. "This model has given the country some degree of relative stability" (APRM Country Self Assessment Report, 2008). However, there are on-going processes to reach consensus on application of MMP model, after one of the opposition parties contested its application after the February 2007 elections.

The first multiparty local government elections were also held in 2005 under the first past the post model. One of the important milestones was the amendment of the Local Government Electors Act of 2005, which reserves no less than 30% of the seats for women in the local councils.

In order to improve the effectiveness of the legislature, parliamentary reforms were initiated in 2002 with the review of practices and processes of Parliament. In 2004, Parliamentary Reform Committee (PRC), representative of the diversity of Parliament, was established to drive the reforms. Other than long standing Public Accounts Committee (PAC) which is led by the Leader of Opposition, the reforms, brought, inter alia, the establishment of portfolio committees, these are Social, Economic Development, Public Safety, Natural Resources, Tourism and Land and Prime Minister's Departments.

Lesotho is signatory to a number of international treaties and conventions that promote Human rights. A number of these have also been domesticated through enactment of national laws and institution of policies and measures to safeguard human rights.

On governance issues (that is, Government Effectiveness, Rule of Law, and Voice and Accountability), Lesotho has made significant strides and is ranked relatively better than the average of SSA countries, as shown on the chart below:



Source: African Development Bank (2008) p. 4.

The signing of a five year Compact, worth $362.6 million, between Millennium Challenge Corporation (MCC) and GoL in 2007, demonstrate commitment by GOL to policies that promote political and economic freedom, control of corruption and respect for civil liberties and rule of law as these were prerequisites for eligibility to the MCC programme.

Other developments include capacity building of law enforcing agencies on human rights; Enactment of the Speedy Court Trials in 2002, where cases are to be prosecuted within 3 months; Operational Strategy for the Backlog of Criminal Cases was developed to improve delivery of justice, including holding of sessions by the High Court at district levels; Adoption of restorative justice (*Toka ea poelano*)[2] at all levels, from pre-trial to post-sentence stage, and 201 *minor* criminal cases have been handled.

The Government of Lesotho (GoL) enacted the Prevention of Corruption and Economic Offences Act 1999 and consequently established the Directorate on Corruption and Economic Offences (DCEO) in April 2003 to curb corruption in the public service. The DCEO has established District Anti Corruption Committees and Ministerial Systems Integrity Committees and in 2008/09 submitted 10 completed cases to the Director of Public Prosecutions. As compared to 2000, where 52% of countries worldwide were ranked below Lesotho in terms of control of corruption by the World Bank Institute, in 2008, Lesotho rose in the rankings, such that 60% of countries worldwide were ranked below it. Other important oversight bodies are offices of the Auditor General, Ombudsman, and Police Complaints Authority.

Public Sector Improvement and Reform Programme (PSIRP)

Over the period of the Brussels Programme of Action, the Government has followed an ambitious Public Sector Improvement and Reform Process (PSIRP) with the support of Donor Partners. This aims to improve public service delivery and has three core components: Improved Public Financial Management; Decentralization and Improved Public Sector Management.

The GoL has taken a giant step in improving public financial management systems by **introducing the Integrated Financial Management Information System** (IFMIS) in 2009/10 which will principally improve public expenditure management, accountability and timely reporting and auditing of public accounts. Other related reforms include, adoption of Medium Term Expenditure Framework (MTEF) approach which has now been rolled out to all Ministries, Programme based budgeting, Modernisation of procurement system and overhauling Public Finance laws in line with the policy reforms.

Firstly, following the Local Government Act of 1997, the country has been gradually decentralising functions, resources and authority from the central Government to local authorities. The aim is to deepen and widen public access to the structures of Government, bring services closer to the people thereby improving service delivery, promote peoples' participation in decision making, planning and implementation of development programmes and promote equitable development in all parts of the country.

A significant step was made with the successful local government elections of 2005 which led to the establishment of 128 Community Councils, 10 District Councils and one Municipal Council.

[2] This is an informal criminal justice process which involves communities in the settlement of minor criminal disputes.

Decentralisation of functions and staff positions has happened at different levels for different Ministries. To regain decentralisation momentum, an inter-Ministerial Working Group of Principal Secretaries was established in 2009 with four focal areas: Human Resource and Capacity Development, Financing of Local Authorities, Participation and Local Governance and Policy and Institutional Arrangements. This has led to the development of a Decentralisation Action Plan which charts the way forward for the decentralisation process. Efforts should now be focused on building the technical and managerial capacity of Councils to fulfil their mandate.

The Ministry of Public Service (MPS) was granted full Ministerial autonomy in 1999 with a mandate to coordinate human resource management across the public service, under the framework provided by the Public Service Act of 2005 and Public Service Regulations of 2008. To service delivery and effectiveness, the MPS focuses on four key priority areas:

- **Providing motivation and support for public officers**. Whilst it is difficult for the Government to retain staff due to the higher wage rates on offer in the private sector, from Donor Partners and in neighbouring countries, especially in South Africa, a retention strategy has been developed to help address this. The Ministry has also introduced a defined Contribution Pension Fund for all public officers and a new entry point for Masters Degree holders and a new system for promoting public officers. Activities in the pipeline include the evaluation of all jobs across the public service to ensure commensurate remuneration; introduction of shift work and overtime pay and revision of conditions of employment.
- **Maintenance of Discipline and Professionalism within the Public Service**. Revised Public Service Regulations were introduced in 2008 and a Public Service Tribunal and Electronic Clocking System have been set up. The new Public Service Act was enacted in 2005 together with the Codes of Good Practice 2005. The revised Public Service Regulations were also published in 2008. The Public Service Tribunal has been established to handle disputes emanating from grievance and disciplinary cases. An electronic time management system has been set up in Phase I of the Government Office complex and will be installed in other Government offices in phases.
- **Supporting Government Ministries, Departments and Agencies (MDAs) improve performance and service delivery**. Service delivery standards for all MDAs have been developed and a series of business process mapping and engineering exercises undertaken. An Inspectorate Unit has been established to follow up service delivery across the Public Service. The Ministry is currently working on introducing Performance Based Pay, improving monitoring of service delivery and introducing a Human Resource and Payroll Information System.
- **Improving institutional and human resource capacity for Lesotho Institute of Public Administration and Management (LIPAM) to deliver relevant training across the public service**. In the 10 year period under review, LIPAM has trained an average of 900 participants per year in both short-term and long-term courses. In 2009/10 the Institute will introduce a Masters in strategic Management in collaboration with the Institute of Public administration, Ireland in order to address the deficiencies identified in management and leadership in the public service.

Gender Equality

In some areas of development, Lesotho is one of the few countries with a reverse gender gap in favour of women, especially in terms of educational attainment and literacy rates (see Annex II for MDG statistics) which, arguably, enable them to compete for employment. In an effort to promote gender equality, the GoL has enacted the Gender and Development Policy (2003) which 'aspires for a nation that perceives women, men, girls and boys at all levels and spheres of life as equal partners' based upon 'principles of equal participation in development, non-discrimination and the empowerment of the marginalised women and men, girls and boys'.

Consequently, the GoL passed the 2006 Legal Capacity of Married Persons Act that abolished the law that took women as minors and placed them under the perpetual custody and protection of men. Furthermore, with the assistance of the Millennium Challenge Corporation (MCC), the GoL has developed the Land Bill (2008) which among others seeks to give women equal rights as men in terms of land and property ownership, where they have historically been disadvantaged. The passing of the Sexual Offences Act 2003 has also been seen as a significant stride in the effort to protect the rights of women in Lesotho, giving women full sexual autonomy (APRM, 2009). The Ministry of Gender and Youth, Sports and Recreation has undertaken sensitisation campaigns against gender based violence (with 85000 people having attended workshops or *pitsos*), economic and political empowerment. The country now observes the 'sixteen days of activism against gender-based violence'. Furthermore, in 2008 an outreach centre was opened in Maseru for abused women and children, partially funded by UNFPA, which provides them counselling and psychiatric services as well as meals and accommodation on a short term basis. The Ministry plans to roll out similar centres into the districts over the coming years.

To further attest its commitment to elimination of discrimination and gender inequality, the GoL is signatory to a number of international and regional instruments, including: the Convention on the Elimination of Discrimination against Women (CEDAW), the Belgium Declaration and Platform for Action (1995), the Protocol on Gender and Development Declaration of the Southern African Development Community (SADC) of 1997, the protocol of the African Charter on Human and People's Rights and the Rights of Women in Africa (2003). As a result, gender representation and participation are now entrenched in the provisions of the Constitution of Lesotho which gives equal rights to women and men to participate in public life. Further, the GoL passed the National Assembly Amendment Act of 2001 and the Local Government Electors (Amendment) Act of 2005 to promote women participation in legislative-decision making. The Local Government Electors (Amendment) Act of 2005, reserves no less than 30% of the seats in the local councils for women and in the local elections of 2005, Lesotho reached 58% representation thereby far exceeding the SADC requirement of 30%. Currently, women are 32% of cabinet ministers (and 50% of assistant ministers), 42% of judges and 38% ambassadors. In this respect, Lesotho has however achieved its Millennium Development Goal (MDG) of 30% women representation in the National Assembly.

However, even though many legal impediments have been removed, women are still disadvantaged in terms of their access and control over productive resources and their decision making, particularly over their sexual and reproductive health rights (Interim National Development Framework). This is mainly attributed to cultural practices, whereby men dominate decision making processes. This is often accentuated in cases where women have limited economic empowerment and become more vulnerable to sexually transmitted diseases, such as HIV and AIDS, and unplanned pregnancies.

3.3: Building Human and Institutional Capacities

This section assesses progress towards the achievements of the Millennium Development Goals, and highlights some key lessons learned. Annex II provides an overview of the latest statistical data for the various MDG targets, taken from the latest MDG report.

Health

Annex II shows that in terms of child mortality, whilst absolute statistics are better than many Sub Saharan African countries, they have deteriorated since 1990 and Lesotho is a long way away from achieving its MDG targets. Similarly, the maternal mortality rate has essentially tripled between 1990 and 2005 (although the size of the population is such that the absolute number of deaths is low). Subsequent to the MDG Report, the World Health Organisation estimated that MMR figures had risen to 970 per 100 000 in 2008. These figures point to the decline of the public health sector in Lesotho and hence call for an urgent attention.

The two core problems in the health sector are poor **access** to and **quality** of services due mainly to 'brain drain' of skilled health workers, HIV and AIDS, which not only directly affects people's health, but also robs the health service of key workers and increases the strain on existing healthcare facilities, and high unit costs of providing social services due to the topography of Lesotho.

To address these problems, many activities have been undertaken by the GoL, including the following:

- The 'Health for All' policy, which makes all basic health services free
- Construction has started on a new 410 bed primary referral hospital, to be designed, built and operated by Netcare on a Public Private Partnership basis. Lesotho is one of the first LDCs to pioneer a PPP approach in the health sector and is tacit recognition that existing systems are struggling to meet the large demands placed upon them as a result of the HIV/AIDS and general healthcare crisis
- Development of a 20 year Human Resource Development and Strategic Plan and establishment of a Human Resource Task Force in 2007.
- Expansion of the National Health Training College (NHTC) and opening of two colleges for assistant nurses
- Signing of a deal with the Nigerian government to send Basotho students to study medicine in Nigerian Universities and the first batch is already studying there.
- Building of the Health Sciences department at the National University of Lesotho (NUL) and courses like pharmacy and nursing introduced, and the third batch has graduated in these courses.
- The renovation of 150 Health Centres with support from the MCC

The Health for All policy has had successes and challenges. According to MOHSW Annual Joint Review Report (2009) the average out-patient visits increased from 0.5 contact per capita to 0.7, but the average bed occupancy rate (BOR) in 2008 for GOL and CHAL hospitals were 38% and 42%, respectively, lower than the efficiency level of 80%. Further, the frequent unavailability of medicine in health facilities will discourage people to use health care centres and hence discount the returns to be gained from investments made in developing and manning the infrastructure built.

HIV and AIDS

Since 1986, when the first AIDS case was reported, HIV and AIDS prevalence trends have shown an alarmingly steep increase in Lesotho. Therefore, as of 2005, an estimated 23.2% of the population aged 15-49 was infected with HIV (26.4 percent prevalence among women and 19.3 percent prevalence among men), according to GoL/UNAIDS (2005). In 2007, there were an estimated 270,000 HIV infected people in Lesotho, of which 57% are women. Hence, for Lesotho, the scourge of the HIV and AIDS pandemic is the foremost constraint to attaining all eight MDG's. For example, the social crisis arising from having 180 000 orphaned children, the declining enrolment of girls at school, increasing child and maternal mortalities are all direct or indirect consequences of this pandemic. Hence the GoL has put the goal to combat the spread of HIV and AIDS and TB as ‘Goal No. 1’, before poverty eradication, amongst Lesotho’s MDGs.

In full view of these challenges, the Government established the National AIDS Commission (NAC), to form the institutional driving force in the fight against HIV and AIDS. The Health Sector HIV Response Medium Plan (2004-2007) has therefore been replaced by the National HIV and AIDS Policy 2006, which provides the framework within which all initiatives, interventions and programmes operate. Further, the HIV and AIDS Strategic Plan (2006-2011) has been developed with a Monitoring and Evaluation Framework 2006 to track the implementation of the national framework on the fight against HIV and AIDS. Other initiatives include the development of the National Action Plan on Women, Girls and HIV and AIDS 2006 and its Implementation Plan, and the HIV and AIDS Bill which seeks to provide for special needs of people living with HIV and AIDS and also regulation of services provision. Therefore, Lesotho has enacted the Labour Code Amendment Act 2006 which provides for mandatory HIV and AIDS work place policy for all employers with 50 and above employees.

The GoL, with the assistance of its development partners, have also made a significant progress in the fight against HIV and AIDS through prevention, treatment and mitigation initiatives. On the prevention dimension, the GoL initiated the Know Your Status (KYS) campaign aimed at achieving universal voluntary HIV counselling and testing to prevent new infections among adults. To prevent intergenerational transmissions, the GoL, in partnership with the World Health Organisation (WHO) and United Nations Children Fund (UNICEF), introduced the Prevention of Mother to Child Transmission of HIV (PMTCT) programme in 2003. As of June 2009, 87% of the 2016 facilities were providing PMTCT services (MOHSW Annual Joint Review Report - 2009). But many of the local health clinics, where most women access antenatal services, still do not offer HIV testing, let alone PMTCT. PMTCT coverage was estimated at 31% in 2007 (Ministry of Health and Social Welfare, Joint Annual Report 2009).

On the treatment dimension, the GoL has made available anti-retroviral therapy (ART) and is presently increasing access to ART, especially among pregnant women, with clinics having been established throughout the country. Currently, 34% of patients known to be in need of ARTs have been provided with them. The Clinton Foundation's HIV/AIDS Initiative (CHAI) helps enhance access to treatment by among others, providing clinical mentors, lab support, paediatric drugs, supply chain management expertise as well as assisting in the day to day running of clinics.

Many initiatives have come from the NGOs and the private sector. The Apparel Lesotho Alliance to Fight AIDS (ALAFA) was launched in May 2006 to provide prevention and treatment services for the more than 40000 mainly women Basotho workers in the textile and apparel industry. It provides education, testing and counselling services as well as treatment for HIV positive workers and, since 2009, also their spouses. ALAFA received the Drivers of Change Award in the business category in 2008. The project was also commended in the 2009 Business Excellence Awards of the Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria.

Lastly on the support dimension to HIV and AIDS, a joint UN programme involving UNDP, UNAIDS, FAO and WFP has been designed to facilitate the greater involvement and empowerment of people living with HIV and AIDS by developing a national action plan to ensure implementation of rights of those living with the disease; build capacity of the newly established Lesotho Network of the People Living with HIV & AIDS (LENEPWHA) in areas of organizational development and enhancing the advocacy skills of members; and increased sustainable employment opportunities addressing food security, livelihood activities and placement of HIV-positive field workers in committed partner organizations. This is on top of the other interventions discussed elsewhere in this review, such as the Child Support Grant for orphan caregivers in Section 3.6.1. Special programmes have also been undertaken by the Ministry of Justice within prisons, with a counselling, testing and treatment programme for prisoners.

The Government of Lesotho has requested the World Bank and UNAIDS to undertake an Independent Institutional Assessment on HIV and AIDS in Lesotho. The main purpose of the initiative is to assist the Government of Lesotho to assess institutional arrangements and capacities with the aim of identifying solutions to improve institutional effectiveness and efficiency in delivering the multi-sectoral services geared towards the fight on HIV and AIDS.

Education

Lesotho has made good progress towards its MDG education targets. In 2008/09, education accounted for 22% of total expenditure and 14% of GDP; one of the highest in Africa. The country has one of the highest literary rates in the continent. These gains were driven by the introduction of free primary education (FPE) in 2000, following which the net primary enrolment ratio increased from 69% in 2000 to 85% in 2003.

However, net enrolment has declined in recent years, to 81.4% in 2007, caused primarily by lower attendance by girls. The Interim National Development Framework argues that this is primarily because of the impact of the HIV and AIDS pandemic which forces girls to assume increased responsibility in the household, in terms of caring for the family. Therefore the Government has enacted the Education Law 2009 which makes primary education compulsory from 2010.

One continued challenge is to raise the quality of primary education, which suffered following the large increase in enrolment following free primary education. In support of the programme, 203 new schools have been constructed and 1500 classrooms installed, although 52% of classrooms do not meet expected standards. Furthermore, there has been a move to increase the skills level of teachers, including the opening of a satellite campus of the Lesotho College Education in Thaba Tseka to train teachers, especially in mathematics and science. In the 2008/09 Budget, qualified teachers were rewarded with a 32% pay rise to ensure the retention of existing staff and the attraction of new ones. Lesotho has met its MDG target on the pupil- teacher ratio.

However, secondary schools have struggled to accommodate the increased numbers of students from the FPE programme. To address this, since 2006, 19 secondary schools with 250 classrooms have been constructed and the Government has expanded its secondary school bursary scheme to 26,905 by 2009 from 14,107 in 2002. Combined primary and secondary schools and a double shift policy have been introduced to further increase access. A textbook rental scheme was also introduced in 2004 to try and reduce the costs of attending school.

Furthermore, to expand basic education, the Government piloted pre-primary education with 11 classes in 2006 as part of its Early Childhood Care and Development programme. By 2009 220 reception classes were established in 120 schools. A Certificate in Early Childhood Education (CECE) was introduced at the Lesotho College of Education to improve the standard of teaching, with 29 graduates in 2009. However, the challenge is to institutionalise this level of education since it is mostly community based.

The Government has made significant strides in responding to the needs of the local industries by increasing access to Technical and Vocational Education Training (TVET) and tertiary education. There are now 23 TVET centres (compared to 8 in 2000) and new courses have been introduced to meet current labour market demands. The new university, Limkokwing University of Creative Technology, started operating in 2008 and has significantly increased access to higher education, providing vocational courses in cutting edge technologies which should make Lesotho more competitive in the global economy. Tertiary enrolment has increased dramatically; such that in 2008/09, M381.8 million was spent by the National Manpower Development Secretariat (NMDS) on student fees. However, the major challenge is to improve the human and physical infrastructure of higher learning establishments to improve their quality; whilst reforming the administrative efficiency of the NMDS.

3.4: Building Productive Capacities to Make Globalisation Work for the Least Developed Countries

This section assesses Lesotho's progress on key policy environments in the domain of: (i) infrastructure development, (ii) technology and R&D investment, (iii) improving the business environment and promoting enterprise development, (iv) energy, (v) agriculture and agro-industries, (vi) manufacturing and mining, (vii) rural development and food security, and (viii) sustainable tourism.

Manufacturing

Since acceding to the African Growth and Opportunities Act (AGOA) in 2000, Lesotho embarked on the industrialisation program in 2001 as a response to the high investment demand from foreign investors. Provision of infrastructure (i.e. roads, electricity, water and telecommunications) and building factory shells by the Lesotho National Development Corporation (LNDC) at the industrial estates were prioritised. This strategy attracted many foreign investors in Lesotho's Textile and Clothing sector such that in 2001 Lesotho recorded a trade surplus of US$215 million with the US, doubling that of the previous two years (AGOA.info[3]). Lesotho is now the largest African exporter of textiles to the US and now produces and exports well known brands such as GAP, Reebok and Levi Strauss. Further, this sector is now one of the leading employers in the country.

Despite this, the textiles sector remains highly vulnerable to exchange rate fluctuations and changes in Lesotho's trade concessions. For example, the sector underwent a slump in 2005 due to investor concerns about the future of Multi Fibre Agreement and only recovered after the extension of AGOA until 2012, through the Africa Investment Incentive Act of 2006[4]. Furthermore, the foreign firms based in Lesotho are highly mobile because most of the processes undertaken in Lesotho are very simple with little value added, making relocation relatively easy. Section 4 shows the impact on the industry of the fall in global demand for textiles as a result of the global economic crisis.

Therefore, the challenge going forward is to achieve product and market diversification so the sector is less vulnerable to exogenous shocks, with a special focus on taking advantage of wage rate differentials to produce for the Southern African market and promoting vertical and horizontal integration. In 2008, the Dutch giant Philips Electronics opened a major plant to produce compact fluorescent light bulbs

[3] http://www.agoa.info/?view=country_info&country=ls

[4] In 2005, the sector shed an estimated 10,000 jobs but by 2007, employment had recovered to 49,416 from a peak of 53,525 in 2004.

largely for the South African market. Furthermore, there needs to be a move towards higher value added processes to make the textile companies less internationally mobile. Future industrial expansion will require the provision of additional factory shells and associated infrastructure as this is seen as a constraint to investment. These will require, in part, the implementation of the Textile and Clothing Strategy 2009, developed under the Integrated Framework (IF) (see Annex IV for achievements of the IF programme).

Mining

Since the re-opening of Letšeng Diamond mine in 2004 and subsequent opening of new mines in Liqhobong and Kao, the mining sub-sector share of GDP has increased from 0.2% in 2001 to 6.7% in 2006. The mining sub-sector grew at an annual average growth rate of 149% during this period and, despite the temporary scaling back arising from the global financial crisis, is likely to continue to grow rapidly in the future. Two additional mines are currently at prospecting stage.

Lesotho is building a reputation for producing high quality, large stones, which secure the highest price per carat. The white 603 carat diamond found at Letšeng recently was the fifteenth largest diamond ever found and sold for US$ 12.4 million. However, the employment capacity of this sector is very limited and lack of infrastructure (electricity) in some mines (for example, Kao mine) further constrains the mining sector. Lesotho is a participant in the Kimberley process Certification Scheme which regulates trades in rough diamonds to prevent conflict and illicit diamond trading. Lesotho also participates in the Harmonization of Mining Policies in the SADC region.

Improving the business environment, and promoting enterprise development, especially for Small and Medium Enterprises (SMEs)

In order to promote employment and income creation, the Government has focussed upon creating a conducive business climate that encourages and supports investment from both domestic and foreign sources. With the support from the Development partners, therefore, many initiatives have been introduced, including the opening of a One Stop Business Facilitation Centre to reduce the bureaucratic requirements of opening and operating a business. As a result, the average time it takes to issue an export or import permit, for example, has fallen from 4 days to less than a day. And, as a result of the review of the Company's Registration Act and the Business Reporting and Industrial Licensing Act, it now takes 5 days, down from 30 days, to issue trade and industrial licenses. Furthermore, the GoL is undertaking the Border Post Refurbishment Project to reduce time delays at the border posts, and so far two border posts, Maseru Bridge and Maputsoe Bridge, have been refurbished.

Despite these initiatives, other countries have also made major strides in this regard, hence Lesotho still ranks 130th out of 183 countries on the World Bank Doing Business Indicators 2010, far below a SACU country, Botswana, which ranks 45th, for example. With this in mind, therefore, part of the recently signed compact between the GoL and the US Government's MCC, is focussed on private sector development. This includes the following components:

- Developing a credit bureau and national identification card which will result in significantly reduced transaction costs and enhanced information on clients, thereby improving access to credit
- Civil legal reform, including the effective operation of a commercial court, that would make it easier for banks to recover defaults through the courts system, removing structural bottlenecks often cited for not extending credit
- Land administration reforms, including improving and streamlining registration of land titles and leases, that should improve access to land and security of land rights, encourage investment in land and stimulate related sectors such as construction, mortgage lending and real estate related services

- Training and public awareness to support gender equality in economic rights that will empower more women to take advantage of economic opportunities

The Government has given much prominence to small, micro and medium enterprises (SMMEs), most of which are run by women and youth. Measures have included the setting up of the Basotho Enterprise Development Corporation (BEDCO) to assist SMMEs in business counselling and discovering, evaluating and formulating viable projects for financing by local financial institutions. It also provides manufacturing and technical assistance to small scale enterprises, trains entrepreneurs in skills to facilitate their employment in the construction and textiles industries and supplies business training courses. The Ministry of Gender, Youth, Sports and Recreation (assisted by UNDP, UNICEF and the ILO) have a youth entrepreneurship programme which has trained 2057 youths between 2007 and 2009. These youths have been able to establish 450 businesses. Furthermore, the Ministry of Finance and Development Planning is providing funding for Business Development Services through the Rural Financial Intermediation Project and an Enterprise Development Facility is being established under the LNDC to provide guarantees for SMMEs to access funding through commercial banks. In addition, through the Lesotho Enterprise Assistance Programme funded by the World Bank under the Private Sector Competitiveness (PSC) project, the Government has established two skills development centers in Maseru and Maputsoe to enhance competitiveness of garment manufacturers.

Agriculture and agro-industries

As shown in Section 2, agricultural production in Lesotho has stagnated since 2000 and now the country imports over half of its annual food requirements. This is because crop production, which dominates Lesotho's agricultural production, is subject to widespread annual variations and is extremely vulnerable to climatic conditions. On a linear basis, average agricultural yields are reported to be declining at the rate of 1.2 – 1.5% annually. Furthermore, whilst livestock production used to be a major industry in Lesotho, this sub-sector has suffered from declining performance in recent years, mainly due to range degradation resulting in low fertility rates and low fleece weights, and endemic livestock theft. Despite this, Lesotho still produces around 10% of world mohair output.

The Government response to this situation is based on the 2003 Agricultural Sector Strategy, which was augmented by the 2005 Lesotho Food Security Policy in 2005. This seeks to improve the adequacy, utilisation and stability of access to food at household and national levels. This was translated into a National Action Plan for Food Security (2007-2017) which has five core programmes; commercial and household food security, natural resource management, safety nets and social protection, food supply stability and national availability and support structures.

In an effort to reverse the situation, most efforts by the Government have focussed on supporting commercial agriculture. These have included:

- The introduction of block farming project to increase yields. Here, field owners consolidate fields into a minimum 20ha block to facilitate commercial production with economies of scale. This has initially been tried with grain maize but it is encouraged that other crops, such as beans, potatoes, pulses and irrigated vegetables.
- Supporting gravity-fed irrigation development in order to expand and diversify output. Over the decade, this has been promoted by two IFAD projects (Sustainable Agriculture Development Programme for the Mountain Areas (SADPMA, 1999-2006) and Sustainable Agriculture and Natural Resource Management Programme (SANReMP, 2006-2011)) and irrigation infrastructure development funded by the Government or private sector. The arable land which is currently under irrigation covers 893 hectares.

- Promoting commercial livestock production (including through the construction and rehabilitation of woolsheds)
- Helping the private sector to improve the supply chain of agricultural inputs (including the Product and Market Development of Agro-Based Products Project under the Integrated Framework)
- Promoting the availability of rural/agricultural finance
- Addressing stock theft through livestock registration and the community policing project (the Livestock Registration, Marking and Information Systems Department was established under the Ministry of Home Affairs in 2005 but has only been rolled out in three districts to date)

Current initiatives seek to diversify output away from wheat and maize into higher value added products for the commercial market like mushrooms and potatoes. Moreover, the horticulture out-grower scheme has rolled out with pilot areas growing fruits like apples and peaches for export in 2011.

Other initiatives have focussed on supporting smallholder farmers to increase their production so that it meets more of their subsistence needs. These tend to have centered around conservation agriculture, which aims to increase crop yields and prevent soil erosion through the application of techniques that reduce interference with the soil. Pilots of this scheme have been proven to raise the production of smallholder farmers above subsistence levels, but this has proven difficult to replicate on a larger scale.

Sustainable tourism

Tourism has the potential to be a major driver of growth for Lesotho. The spectacular mountain scenery and wide range of eco-, adventure-, and cultural-tourism offerings make Lesotho a compelling product, differentiated from what is on offer in the rest of Southern Africa. Given that tourism is a very labour intensive industry, it has the potential to generate jobs, especially in the rural areas where poverty is rife.

In 2004, the Lesotho Tourism Development Corporation (LTDC) was established to market Lesotho as a preferred tourism destination and to promote investment especially in tourism products. The Tourism Strategy was developed, leading to a number of accommodation facilities being built at major tourism destinations. In order to preserve culture coupled with tourism development, the GoL built Cultural Village at the foot of the Thaba-Bosiu mountain where Moshoeshoe I, the founder of the Basotho Nation was buried. Liphofung Heritage Centre has been built and Rural Homesteads established. To improve the standard of accommodation facilities, a Grading and Classification System has been introduced.

Lesotho continues to cooperative with RSA and other regional members for tourism promotion and marketing, especially through the Maloti Drakensberg Tourism Route joint bilateral marketing initiative with SA. Furthermore, a Transfrontier Park has been established to help spread the benefits from tourism in South Africa into Lesotho. Lesotho attracts South African nationals as tourists; many of whom come to take advantage of Lesotho's adventure activities like motor biking and quad biking. The "Lesotho Haeso" campaign has also been introduced to promote domestic tourism by targeting tourism frontliners. The Sehlaba-Thebe National Park has been declared the World Heritage Site.

In addition, much work has been done by the Department of Culture to ensure that Lesotho's cultural history is preserved, supported and publicised, including the documentation of heritage sites, the construction of information boards, visitor centres and shelters for preserving dinosaur footprints and community mobilisation. An aggressive marketing campaign is being launched to benefit from the

2010 Soccer World Cup in RSA. Despite this, tourism still contributes only 1.5% to Lesotho's GDP, compared to a 7% regional average.

Water

In 1996, the proportion of people without access to safe drinking water was 36% and by 2008, this had fallen to 14.5%, well ahead of the MDG target of 19%. However, by 2008 47.3% of Basotho did not have access to basic sanitation, so there is still much to be done before the MDG target of 33% is achieved. The Lesotho Youth Water Action Team (LYWAT) was set up to train communities on hygiene activities to avoid waterborne diseases.

The start of the decade saw the completion of the second phase of the Lesotho Highlands Water Project. One of Africa's largest infrastructure projects, this saw the construction of two giant dams at Katse and Mohale, and an elaborate water transfer system to South Africa. This main secondary benefits from these, were the building of hundreds of kilometers of paved roads opening up the interior of Lesotho. The feasibility study for the third dam at Polihali was completed in 2008 and construction is due to start in 2012. Other initiatives, such as the Lowlands Water Supply Project and the Six Towns Water Supply Project, have been undertaken to provide bulk water for domestic, commercial and industrial use.

Ongoing initiatives include the construction of Metolong Dam and Water systems which will, on completion in 2013, augment water supply in the city of Maseru and surrounding areas. The Lesotho Water Partnership (LWP) has been set up to advance the integration of water resource management principles.

In terms of the regulatory environment, a Water and Sanitation Policy was developed in 2007, while the Water Law was enacted in 2008. The Government is currently in the process of turning the Water and Sewerage Authority into a water utility company. This will be accompanied by a multi-sector regulator, the Lesotho Electricity and Water Authority (LEWA) which will regulate tariffs and better manage both the electricity and water sectors.

Issues relating to water often have regional dimensions. Lesotho is a member of the SADC protocol of shared water systems. Under this, ORASECOM (Orange Senqu River Commission) was established as a River Basin Organisation (RBO) and the Phase I Basin Master Plan was completed in 2007. The SADC HYCOS was set up to share information on river flows. Lesotho is also a member of the African Ministries Council of Water (AMCOW) whose mandate is to improve access to water and sanitation.

Energy

During the construction of the Highlands Water Project, it was decided to add a hydroelectric power plant to the water transfer system. 'Muela Hydropower station provides 72MW of electricity, enough to keep Lesotho self sufficient (and carbon neutral) for most of the decade. However, economic growth and increased access has meant that during peak times (in the winter months) demand can reach 115 MW. The deficit has been closed by importing from Eskom, and, more recently, from Mozambique. Lesotho is a member of the Southern Africa Power Pool (SAPP), which interconnects the power utilities of the region. However, regional shortages of electricity mean that this supply cannot be guaranteed. The problem is further compounded by the dilapidated electricity distribution network infrastructure.

In Lesotho, access to electricity, especially in rural areas, remains low. The Household Budget Survey of 2002/03 showed that only 14% of Basotho households have access to electricity, primarily concentrated in the lowlands. But, according to the Lesotho Renewable Energy-Based Rural Electrification (LREBRE) 2008 Annual Report, only 11% of households in Lesotho have access to *reliable* electricity, and only 1% of them are rural households.

Attempts to privatise LEC in 2001 were not successful and was then turned into a Company in 2002 that is wholly owned by GoL. The company has embarked on the Rural Electrification Project to avail electricity to those rural communities closer to the national grid. For those communities in remote areas that are difficult to connect to the national grid, the GoL, in partnership with Global Environment Facility (GEF), are currently piloting alternative energy schemes. To date, 750 households have been electrified with solar energy. Moreover, the Government is currently exploring options to expand 'Muela or developing new hydropower stations, as well as examining the feasibility of building a wind farm(s) . A combined regulatory body, Lesotho Electricity and Water Authority (LEWA) for water and electricity regulation was established in 2008.

Transport

Much investment has been made in expanding the road network in Lesotho. The tarred roads built as part of the Highlands Water Project opened up previously isolated parts of the country and helped integrate them into the rest of the economy. The total road network increased from 6,035km in 2002 to 7,438km in 2006, and there were 1,390km of paved roads by 2009. Subsequent developments have been governed by the Transport Sector Policy (2006). This includes an increase in road user charges, the improvement of road subsector management, the establishment of a GIS system, the establishment of Department of Road Safety and the implementation of various interventions and initiatives aimed at the reduction of road accidents.

However, funding of road maintenance programmes has not kept pace with the expansion of the road network. The Growth Strategy Paper estimated that the Road Fund, responsible for road maintenance, had an annual funding shortfall of 40%. This means that some roads have deteriorated in quality and that routine maintenance has been scaled back, making repairing roads more expensive in the long run. Only 85% of required routine maintenance of paved national trunk roads was achieved in 2008/09. The construction material price escalations due to increased demand in SA add to the already high unit cost of road construction in Lesotho due to the difficult terrain. Government therefore plans to gradually increase allocations to road maintenance, partly funded by further increases in road user charges.

Future road construction should therefore be prioritised around stimulating internal and external travel and trade and making major tourism destinations, including the remote parts of the country, more accessible. Furthermore, concentration should be on road maintenance in order to preserve huge investment made on provision of transport infrastructure. Construction of a dry port/upgrading Maseru container terminal to enhance trade facilitation also remains a priorty.

Communications and Technology

The Communications sector has flourished since the privatisation of the Lesotho Telecommunications Corporation at the start of the decade. Mobile tele-density has increased from 1% of the population in 2000 to 26% in 2008. 2008 also saw the passing of a Communications Policy, turning the Lesotho National Broadcasting Service and Lesotho Postal Service into state owned parastatals, regulated by the

Lesotho Communications Authority. A Universal Access Fund has been set up to help expand the network to underserved areas of the country. The biggest challenge going forward is to manage the switch from analogue to digital in 2012/13.

In an effort to promote science and technology, the Government of Lesotho has approved Science and Technology Policy (STP) in April 2006**.** This policy is used as a tool to promote public understanding of science and technology. In this direction, the GoL has is piloting the E-School project which introduces information technology to high school students to entice them to further their studies in that field. The STP clearly stipulates a need to establish a council that will oversee the promotion of science and technology in the country and will also facilitate the establishment of the Innovation Fund that will fund research and development in the field of science and technology in the country.

3.5: Enhancing the role of trade in development

Lesotho continues to demonstrate its commitment to economic cooperation through its membership and participation in both international and regional economic organizations' activities. At the international level, Lesotho joined the World Trade Organization (WTO) in 1995, and has been actively participating in the on-going Doha Development Agenda negotiations. Lesotho is also a member of the Informal LDC Consultative Group in the WTO and has been coordinating its activities until 31 October 2008, and of the WTO Africa Group, and the Africa, Caribbean and Pacific (ACP) Group of countries.

At the regional level, Lesotho is a member of the African Union (AU), the 14 member Southern African Development Community (SADC), the 5 member Southern African Customs Union (SACU), comprising Botswana, Lesotho, Namibia, South Africa and Swaziland, and the 4 member Common Monetary Area (CMA) formed by SACU members except Botswana. .. Moreover, by being a member of the CMA, ,the Loti is pegged at par with the South African Rand.

Following the passing of the African Growth and Opportunities Act (AGOA) giving selected developing countries duty and quota free access to the US market, Lesotho vigorously promoted its nascent textile sector, through the provision of factory shells and investment incentives. Lesotho quickly became one of the largest exporters of textiles to the US under the AGOA scheme.

However, as shown in other sections, the textiles sector has come to dominate the economy, leaving Lesotho highly vulnerable to changes in the exchange rate and international trade preferences. The challenge for Lesotho is to diversify its export products and Markets. Exports to the RSA market seem to pick up with the limited demand in the US market and efforts to increase diversification into products that are in demand in the regional market.

To do this, Lesotho needs to take advantage of its preferential access to other markets, including to the EU under the Economic Partnership Agreement (EPA) which allows for duty- and quota-free access to the EU market, and to export to the US products other than textiles which fall under the AGOA Act. Under AGOA, the third-country fabric sourcing rule was extended to 2012, thereby giving Lesotho some time to develop and improve efficiency of its manufacturing sector while also finding ways to diversify its textile and clothing export market. Lesotho also has a Duty Free Tariff Preference (DFTP) scheme with the government of India, since 2009. Lesotho can also try to take advantage of the SADC Free Trade Area launched in 2008 to try stimulating production for the Southern African market.

Lesotho is one of the pilot LDCs to benefit from the Enhanced Integrated Framework (EIF), the achievements for which are included in Annex IV and Aid For Trade. DFID and other partners have been assisting Lesotho to develop its manpower in the areas of trade policy and to establish a Policy and Regulatory Analysis Unit (PRAU) within the Ministry of Trade and Industry, Cooperatives and Marketing (MTICM). Lesotho still has wide-ranging trade-related technical assistance needs in the areas of implementation of WTO agreements and analytical work required to effectively formulate trade policy, participate in the WTO and other regional trade negotiations.

There is need to accelerate implementation of investment climate reforms to unlock potential investment flows that will increase productive and export capacity. Additional support is required to improve trade-related infrastructure, built effective institutions and mitigate the impact of increasing trade liberalisation and effects of the global economic crisis.

3.6: Reducing Vulnerability and Protecting the Environment

Protecting the Environment and Dealing with Climate Change and Disasters

Being a mountainous country with steep slopes and fragile soil formations, battered by rampant poverty, Lesotho is vulnerable to environmental degradation. The most visible scar of degradation is wide-spread soil erosion which has to ever widening dongas that eat-away the already small arable land. It is estimated that about 39.6 million tones of soil is lost through soil erosion each year – approximately a quarter of a percent of the country's total arable land (MDG Report – see Annex II).

Apart from the more natural factors of degradation, other factors include: population growth, overgrazing of range lands, mono-cropping, biomass removal – mostly by the poor,. As a result of climate change, the country is facing increased frequency and intensity of droughts, higher temperatures and a greater level of environmental degradation.

In response to these challenges, the Government enacted a national Environment Act in 2001 and established a National Environment Secretariat (NES). The Act requires that all proposed developments in the country be subjected to Environmental Impact Assessments, and major strides have been made in this regard as at least 50 environmental assessment reports have so far been submitted to the NES for review since 2002.

Furthermore, Lesotho is party to a number of multilateral environmental agreements that are aimed at promoting good environmental practices. These include the United Nations Framework Convention on Climate Change (UNFCCC); United Nations Convention on Biological Diversity (UNCBD) and associated Biosafety protocol; Convention on International Trade in Endangered Species of flora and fauna (CITES); Ramsar Convention on the protection of wetlands; Stockholm Convention on persistent Organic Pollutants; Basel Convention of Trans-boundary movement of hazardous wastes and their disposal; Vienna Convention on the protection of the Ozone layer and associated Montreal Protocol on ozone depleting substances.

Lesotho completed its National Adaptation Programme of Action (NAPA) against Climate Change in 2007. The main objective of Lesotho's NAPA was to identify the most urgent and immediate adaptation needs. The NAPA process identified 11 adaptation options, including: Improvement of an early warning system against climate induced disasters and hazards, securing village water supply for communities in the southern lowlands, management and reclamation of degraded and eroded land in the flood prone areas, conservation and rehabilitation of degraded wetlands in the mountain areas of Lesotho, and promote wind, solar and biogas energy use as a supplement to hydropower energy.

There have been a substantial number of Government interventions to address all of these issues, including:

- Projects to reverse deforestation, with 1.5 million forest trees planted a year by the Ministry of Forestry and Land Reclamation and a cash-for-work scheme as 'Integrated Watershed Management' to protect water catchments and rehabilitate dongas and degraded lands from further erosion (which also helps sensitise local communities on proper land management practices).
- Projects to connect households with solar energy in partnership with the Global Environment Facility (GEF) through the Lesotho Renewable Energy Based Rural Electrification. This aims to reduce biomass removal. 750 households were connected in 2007.
- Creation of the Maloti-Drakensberg Transfrontier Conservation and Development Project in collaboration with South Africa to help conserve biodiversity

One challenge for the future is to better deal with the wastewater emitted by the textile factories in Maseru. Currently, emissions do not meet the minimum standards for waste water to enter treatment facilities, so have to be directly discharged into the environment. A lot of this waste is highly toxic and dangerous to the public. A site for a sanitary landfill at Tso'eneng has been identified and emergency measures, involving the export of sludge to South Africa, are in place until the landfill is operational.

To better enable the country to deal with external shocks, including the impact of climate change, Lesotho has, through the Disaster Management Authority (DMA), moved its focus away from the response-based disaster management to the Disaster Risk Reduction (DRR) approach that is advocated by the United Nations International Strategy for Disaster Reduction (UNISDR). Lesotho has established the National Platform for Disaster Risk Reduction (NPDRR) as a central multi-sectoral and multidisciplinary forum for national and international coordination of DRR affairs. In addition, Lesotho has developed a national policy on DRR and has also established the Lesotho Vulnerability Assessment Committee (LVAC) which focuses on Vulnerability Assessment, Analysis, Mapping and dissemination of results in order to strengthen the Early Warning section of the DMA to address the national priorities for Action as stated in the Hyogo Framework for Action (HFA).

The District Disaster Management Teams (DDMTs) have been trained on many aspects of DRR including the Community Owned Vulnerability and Capacity Assessment (COVACA), contingency planning, hazard assessment and mapping, emergency response, awareness creation and knowledge sharing. The DDMTs in return have revived and trained the Village Disaster Management Teams (VDMTs) to improve the resilience of communities and function with the Local Government System.

The vulnerability assessment and the Community and Household Surveillance (CHS) are the tools for generating information for early warning for the government, the non-governmental agencies and the communities in Lesotho. DRR Information Management System in Lesotho is also being improved to include food security monitoring. Remaining challenges include:

- To have DRR integrated into all national and local development plans, programmes and projects;
- To improve the country's response capacity at all levels;
- To review the disaster management legislation in order to align it with the new DRR philosophy and the newly established local government system in Lesotho;
- To retain the capacity developed at community level
- To establish strategic reserves of food and non-food commodities

3.7: Mobilising Financial Resources

Revenue Mobilisation

In 2001, the GoL established the Lesotho Revenue Authority (LRA), an operationally autonomous body, as part of its tax reform initiatives. The performance of the LRA has exceeded expectations; it surpassed its revenue target by more than 40% in 2008/09 with a Total Tax to GDP ratio of 18% (of which VAT was 7% and income tax 11%). Total LRA remittances to the Government increased from M2,793.7 million in 2003/04 to M7,431.7 million in 2008/09.

However, SACU revenue continues to be the highest contributor to the Government's revenues. Larger than expected SACU revenues have been the driver of continued fiscal surpluses over the decade. As a result, the external debt ratio to GDP has reached a record low of 41.2 per cent in 2007 from about 89 percent in 2002.

As outlined in other sections, the Government remains heavily dependant on this SACU revenue, but this is forecast to decline dramatically, initially due to the global financial crisis, as shown in Table 3. Total revenue will fall in 2009/10 and 2010/11 as the declines in SACU revenue will not be fully offset by an increase in grants (largely through the Millennium Challenge Account) and tax revenue.

Table 3: Government Revenue, current and predictions (Million Maloti)

	2008/09	2009/10	2010/11	2011/12	2012/13
Revenue	**8,818**	**9,749**	**8,261**	**8,047**	**10,544**
1. Tax revenue	2,858	3,409	3,842	4,319	4,790
3. Grants	221	723	990	1,129	939
4. Other revenue	839	699	801	904	1,026
5. SACU	4,901	4,918	2,627	1,695	3,788

Source: Ministry of Finance and Development Planning. 2009/10 figures onwards are projections.

It is unlikely that SACU revenue will recover to 2008/09 levels. There are several emerging threats to the size of the SACU revenue pool and to the respective shares of member states, including the reduction of average tariff rates and the application of free trade agreements, such as the EPA, the possibility that all SACU states will become members of a SADC customs union which is likely to have a significantly different revenue sharing formula, and possible renegotiations of the sharing formula.

Therefore, it is highly likely that the Government will have to plan for a permanently reduced Government budget as a proportion of GDP. This leads to three obvious conclusions:

- Resources need to be allocated to activities that will generate future income or reduce future expenditure requirements to compensate for losses in external revenue
- Current spending should not be directed towards activities that will necessitate substantial recurrent expenditure in the future
- There needs to be an increased emphasis on improving the quality of Government expenditure to soften the impact of any potential reduction in quantity. This justifies continued Public Financial Management reforms.

Furthermore, it justifies the conclusion of previous sections that the focus of Government policy should be expanding the domestic productive base to provide diversified revenue and employment sources.

The LRA has started to focus on diversifying revenue sources, through initiating an Enterprise Architecture programme to improve its effectiveness and efficiency, refurbishing border posts to stimulate cross border trade and the joint computerization of customs systems with the South African Revenue Services (SARS).

Lesotho continues to borrow donor/creditors funds on concessional terms to finance development projects and is focusing on attracting more grants than loans wherever possible. Due to the declines in SACU revenues, the country will resort to domestic borrowing to finance budget deficit amongst others.

Financial Intermediation

Although Lesotho's financial services subsector is small and highly concentrated, it plays an important part in mobilizing resources for development. This subsector comprises three South African banks and the state-owned Lesotho Post Bank (LPB), and a number of non-banking institutions (NBIs), including around 800 domestically owned Savings and Credit Cooperatives (SCCOs), 6 insurance companies, and 12 insurance brokers. The banks' loan portfolio is however concentrated on a few borrowers, with little offered to Small and Medium Enterprises (SMEs). In 2007, the credit to deposit ratio was estimated at 37 percent, with the commercial banks having the potential of up 70 percent of their deposit liabilities without contravening the requirements (CBL Annual Report, 2007). The remainder of deposits not offered as credit is either in the domestic treasury bills (TBs)[5] market or transferred to SA, mainly because of the perceived risk in the domestic market. This means that a large percentage of savings do not translate into domestic credit and investment; rather banks find it easier to lend to South Africa.

Measures to improve the investment climate from Section 3.4 should help improve domestic financial intermediation. Furthermore, in collaboration with IMF and the Central Bank of Lesotho, the Ministry of Finance and Development Planning is working towards the establishment of stock exchange in the country. Though the establishment of the Unit Trust is a good step towards the establishment of the capital market, the unavailability of the securities act and laws to regulate the pension funds and medical aid schemes are stumbling blocks to the stock market development.

Further, the establishment of the LPB in 2004 (the bank started operating in 2005) is envisaged to fill-in the existing financial services gap by using the government post office infrastructure to avail saving services to all Basotho. The LPB has made progress on deposit mobilization (CBL, 2007). It is being supported by a capacity building project from IFAD to help it expand its services and will start offering micro-credit facilities from February 2010.

The gross national savings rate in Lesotho maintained an upward trend during the period 2000 – 2006. When disaggregated, public savings as a ratio of the GDP have been increasing and reached 23.4% of GDP in 2008 compared to just 13.3% in 2005. Private saving levels increased from 2.7% of GDP in 2005 to 16.7% in 2008 (IMF 2009). The continued political and macroeconomic stability of the country, together with the prudent monetary policy, largely anchored by that of SA, has managed to cushion it from massive capital flight.

[5] There currently four types of TBs traded: the 91 days, 182 days, 273 days and 365 days TBs, the last two being introduced in September 2008.

External Support

Table 4 shows trends in Overseas Development Aid between 2002 and 2007. Overall, levels of aid increased, although disbursement rose much less quickly than commitments. Only half of aid promised by Donor Partners was actually given in 2007. Aid in 2007 represented only 6.6% of GNI.

Table 4: Overseas Development Aid to Lesotho, US $ millions

	2002	2003	2004	2005	2006	2007
Total Donor Commitment	53.6	112.9	88.0	92.5	114.5	186.4
Total Donor Disbursement	42.4	59.4	55.4	51.7	53.2	95.2
Disbursement Rate	79%	53%	63%	56%	46%	51%

Source: Development Assistance Committee, OECD

Aid levels are likely to increase in the short term due to the US$ 362.6 million[6] compact between Lesotho and the Millennium Challenge Corporation signed in 2007 covering the areas of water, health and private sector development and through budget support with the EU and the World Bank.

Lesotho is a signatory to the Paris Declaration and Accra Agenda of Action. However, the most recent Public Expenditure and Financial Accountability Review (PEFA) (2009) showed that there is much to be done to improve aid coordination and harmonization amongst Donor Partners operating in Lesotho. The recent agreement of the World Bank and European Commission to provide General Budget Support to the Government is a positive step in the right direction. Furthermore, Donor Partners have set up a Donor Partners Coordination Forum to improve harmonization and the United Nations Agencies have introduced a 'Delivery as One' programme under the United Nations Development Assistance Frameworks (UNDAF) of 2002-2007 and 2008-2012.

4. Impact of Global Financial and Economic Crisis

4.1: How has the Global Financial and Economic Crisis Impacted on Lesotho?

Like many countries in Southern Africa, Lesotho's banks were well regulated and largely immune from the global financial crisis. However, the impact of the global financial crisis on the real economy has had significant effects on Lesotho's economy and only now are the worst effects being felt. There have been four major transmission mechanisms:

i) Effects on the Southern African Customs Union Revenue Pool

As explained above, in 2008/09, SACU revenue made up 55.6% of the Government of Lesotho's revenue. Whilst there is an expectation that this will decline substantially in the long run, the global economic crisis has substantially reduced imports into the region in the short run, thereby reducing the size of the revenue pool and hence Lesotho's share. Given that payments are made based on forecasts for the year ahead, the magnitude of the global economic crisis had been underestimated. Therefore, Lesotho has been overpaid in 2008/09 and 2009/10 which means that it will have to pay back this amount over the next two financial years.

[6] This is to be disbursed over a five year period and each year's disbursement is conditional on progress being made on previous year's projects.

Current estimates show that whilst Lesotho will receive M4.92 billion in 2009/10, this will collapse to only M2.63 billion in 2010/11 and M1.69 billion in 2011/12. This will put considerable stress on the Government budget.

ii) Further retrenchment in South African mines

As has been outlined above, many Basotho have in the past relied on employment in South African mines and industries. Longer run patterns of retrenchment over the last few decades have been accelerated by the global economic crisis. Whilst some mines in South Africa were forced to scale back due to international demand for commodities, others were forced to cut back on production due to the difficulties of securing credit for working capital. Even though commodity prices, especially gold have recovered (in fact, the price of gold has increased throughout the crisis), employment has not yet returned to its pre-crisis levels.

iii) Reduced demand for Lesotho's textile exports

The financial crises led to a slump in demand in the US market and subsequent reduction of Lesotho's exports. As a result, manufacturing companies had to shed a significant number of jobs, estimated at 10,000.

iv) Large falls in the international price for diamonds

Diamond extraction has become an increasingly important part of the Lesotho economy, but production has been scaled back as the per carat price of diamonds on international markets has collapsed from about $2000 to less than $900. Two diamond mines were forced to suspend production and the biggest exporter was forced to cut production and lay off staff. As the Government is an equity partner in the diamond companies, this has also had a negative impact on Government revenues.

Overall, it is clear that Lesotho has been substantially affected by the second round effects of the global economic crisis which has made Lesotho's challenges more severe in the short to medium run, whilst compromising the ability of the Government to adequately address them due to contractions in Government revenue.

4.2: The Response to the Global Economic Crisis

Despite the limited fiscal space, the Government has put measures in place to lessen the impact of exogenous. The Government acted to preserve jobs in the textiles sector by injecting equity into companies totaling M50 million and the CBL was able to provide some Trade Finance where companies could not obtain this through normal channels. Furthermore, more money was allocated in the 2009/10 Annual Budget to social protection policies to protect the poor and vulnerable from the effects of the global economic crisis. The Old Age Pension was increased from M200 per month to M300 per month and an additional M32 million was allocated to school feeding programmes. A 30% subsidy on seeds and fertilizer was introduced to try and improve household food security.

5. Conclusion

Lesotho has made much progress in terms of implementing the Brussels Programme of Action. Many positive things have been done by the Government and with the support of Development Partners to help improve the quality of life of all Basotho. Some of the notable successes include:

- Home of Africa's largest ever infrastructure project, the Lesotho Highlands Water Development Project
- Africa's most dynamic country at taking advantage of the AGOA legislation to become Africa's largest textiles exporter to the United States
- The second Sub Saharan African country after South Africa to introduce a non-contributory, universal old age pension
- One of the first LDCs to introduce universal free primary education
- Vigorous response to the HIV and AIDS pandemic notably through the Know Your Status Campaign and successful partnership between the private sector, NGOs and the Government in fighting HIV and AIDS in the textiles sector through ALAFA programmes are seen as international benchmarks for prevention and treatment
- One of the first LDCs to pioneer a Public Private Partnership approach in the health sector to procure a new world class referral hospital as Government systems cannot adequately deal with the healthcare crisis. Under the 'Health for All' programme, all basic health care is now free at the point of use.

In summary, performance and issues to be raised with regard to the 7 commitments are as follows: (i) People centred policy frameworks such as PRSP, have been developed and implemented. However, implementation of programmes have been slow in some respects as a result of limited absorptive capacity linked with inability to respond to long and bureaucratic donor procedures and failure of PRSPs to attract significant additional resources from development partners to facilitate implementation of poverty focused programmes. Lesotho has been able to attain good macroeconomic performance at least in the later half of the decade. It is at the close of the decade with the impact of the global economic crisis that now macroeconomic stability is being threatened; (ii) Several indicators and Lesotho accession to and being peer reviewed under African Peer Review Mechanism in 2009 demonstrates improvement and commitment to enhance good governance and democratic rule; (iii) Significant strides have been made on building human capital, particularly in education and health through implementation of universal access to basic health and education, but are counteracted, especially by the effects of high HIV and AIDS prevalence (iv) Increasing role of trade sectors, manufacturing and mining, in the growth of the economy and development attest to the efforts made by the government to crowd in private investment and industrialization and increase integration in the global economy. However, economic growth has not been high or broad based enough (below target of 7 %) to translate into significant poverty reduction. Erosion of trade preferences and increasing competition in international markets pose significant challenges for Lesotho to further integrate into the global trading system. Volatility of international commodity markets, further increases vulnerability to external shocks; (v) Policies and programmes exist for reducing vulnerability in response to the effects of climate change and to reverse environmental degradation, but the resources are limited, given the enormity of the response required to sustain livelihoods, reverse negative environmental trends and mitigate the impact of climate change (vi) Reforms in tax policy and revenue collection as well as the instituted public financial management reforms have yielded positive results for revenue mobilization as demonstrated by increased tax revenue in the past few years and current commitments made by major development partners for general budget support. In addition, the use of GoL financial and procurement systems will reduce transaction costs in the use of aid. Effectiveness of aid and domestic resources will be realized through further improvements in allocation efficiency and elimination of dead weight in expenditures. There is also need to deepen financial markets.

The performance on MDGs largely mirrors the impact of efforts made on the seven BPoA commitments. In terms of achieving Millennium Development Goals, there are indications that Lesotho performs well in terms of promoting gender equality and empowerment of women, universal primary education and access to water. The main challenge lies with poverty eradication, combating HIV and AIDS and reduction of child and maternal mortality, despite increased roll out of basic health infrastructure and PMTC programmes. Reversal of environmental degradation, land in particular, remains a daunting task even though efforts are made to scale up conservation and land reclamation programmes.

The effects of the Global Economic Crisis on Lesotho have been severe, especially on the trade sectors and the fiscus. The challenge for Lesotho in the short to medium term is to finance the costs of mitigating the impact of the economic crisis, over and above financing the adjustment costs of increasing international trade liberalization.

There are several messages emerging for the international community, more and rapid response is needed to cover fiscal adjustment costs, trade facilitation and export development, production and employment adjustment and skills development and productivity enhancement. Lesotho needs to build infrastructure, expand productive base and diversify export products and markets. Furthermore, HIV and AIDS leaves a long term welfare bill beyond the ability of LDCs to finance, Donor assistance is crucial especially in this difficult environment to scale up the efforts to fight the pandemic and finance key human development programmes. The rules of the game have to be modeled in such a way that LDCs benefit and are better integrated into the global trading system and have capacity to quell and manage risks associated increasing liberalization and volatility of commodity markets, especially food and oil and to mitigate the effects of climate change. Programmes for capacity building on trade negotiations, policy analysis and formulation need to be sustained.

ANNEX I

Sectoral Performance 2000-2010 (all figures in million Maloti at constant 2004 prices)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Primary industries	869	982	699	754	770	787	909	858	938	959	997
Agriculture	859	970	685	708	702	641	758	653	694	695	704
Mining and quarrying	10	12	14	46	68	147	150	205	245	264	293
Secondary industries	1753	1903	2091	2277	2300	2161	2306	2368	2467	2349	2469
Manufacturing	813	1029	1333	1508	1599	1411	1543	1565	1616	1446	1507
Textiles, clothing, footwear and leather	462	664	959	1166	1234	1028	1133	1115	1095	899	920
Electricity	79	81	83	85	90	106	120	134	144	156	168
Water	199	207	206	232	247	265	268	277	289	305	323
Construction	662	586	470	451	364	379	374	393	419	441	471
Tertiary industries	3750	3823	4001	4124	4216	4353	4613	4753	4946	5057	5197
Wholesale and retail trade, repairs	438	451	468	493	497	554	584	605	614	612	634
Hotels and restaurants	83	83	82	89	104	106	115	110	112	112	116
Transport, and communication	306	337	375	392	425	484	538	601	673	729	796
Financial intermediation	262	273	283	320	353	325	391	418	458	456	473
Real estate and business services	1088	1070	1101	1091	1088	1122	1155	1184	1218	1231	1264
Public administration	682	707	780	844	866	874	913	939	965	981	976
Education	649	659	669	646	638	640	663	642	649	670	670
Health and social work	148	152	151	153	149	151	155	154	154	162	162
Community, social and personal services	95	92	93	94	96	97	99	101	103	105	106

Source: Ministry of Finance and Development Planning, National Accounts spreadsheet. 2009 and 2010 figures are projections and are subject to change based on global economic developments

ANNEX II

Millennium Development Goal Indicators

GOAL	Indicator	1990	2000	2005	2015
Combat the Spread of HIV and AIDS and TB	Adult (15-49) prevalence %	4	23.9	23.2	17
	HIV prevalence amongst pregnant women attending antenatal clinics %	2.3	21	27	15
	Condom use rate as % of the contraceptive prevalence rate	n/a	16	33	n/a
	Women (15-49) using condoms %	n/a	6.5	8.1	30
	Death rates associated with sputum positive TB %	10	14	10	6
	Life expectancy at birth (years)	59.4	48.9	44.3	63
Eradicate Extreme Poverty and Hunger	Proportion of people living below the poverty line %	59	66.6	56.6	29
	Unemployment rate %	23.4	23.2	25	18
	Prevalence of underweight children under 5 years old %	16.9	17.9	13.8	8
	Proportion of undernourished people in total population %	27	26	25	14
Achieve Universal Primary Education	Net enrolment rate %	76	82	83.1	100
	Proportion of pupils in Standard 1 who reach Standard 5 %	65	89.7	72.5	100
	Adult literacy rate %[7]	47	82	87.2	100
	Teacher : pupil ratio	55	48	41.6	40
	Pupil : classroom ratio	99	65.1	63	40
	Dropout rate %	7.1	7.3	6	0
	Primary completion rate	59.3	87.5	85.5	100
Promote Gender Equality and Empower Women	Primary education (girls per 100 boys)	121	97	101	100
	Secondary education (girls per 100 boys)	149	131	79	100
	Tertiary education (girls per 100 boys)	N/A	85	107	100
	Proportion of seats held by women in the National Assembly %	5	17	30	30
Reduce Child Mortality	Under give mortality rate (per 1000 live births)	N/A	113	107.1	37
	Infant mortality rate (per 1000 survivors to age 1)	74	81	91	24
	Proportion of 1 year old children immunized against measles %	54	72.2	68	100
Improve Maternal Health	Maternal Mortality Rate (per 100000 live births)	282	419	762	70
	Proportion of births attended by skilled health personnel	50	12.6	55.4	80
	Contraceptive prevalence rate among married women %	23	36.1	35.2	80
	Contraceptive prevalence rate among all women %	N/A	27.2	27.6	60
Ensure Environmental Sustainability	Arable Land %	13	9	9	N/A
	Landlessness (households without access to land) %	25	33	N/A	17
	Soil erosion (lost top soil per annum) %	40	40	N/A	20
	Proportion of protected areas and sustainable use areas %	N/A	6.9	N/A	12.6
	Project briefs and Environmental Impact Assessment Reports (number)	N/A	15	12	All
	Plans/policies/programmes subjected to Strategic Environmental Assessments	N/A	1	N/A	All
	Proportion of people without access to safe drinking water %	36	21	14.5	19
	Proportion of people without access to basic sanitation %	66	55	47.3	33

Source: Lesotho Millennium Development Goals Status Report 2008 and Statistical Updates

[7] In 2007, youth (15 – 24) literacy rate was estimated at 75% (for males) and 91% (for females). Source: UNICEF-Lesotho; http://www.unicef.org/infobycountry/lesotho_statistics.html

ANNEX III

Health Sector Reform Project

The GoL has been implementing since 2006 a wide-ranging Health Sector Reform Project, supported by the World Bank, MCC, Clinton Foundation, Irish Aid, WHO, UNICEF and ADB. This project includes activities on:

- Improving Health Centres for all the Districts (150 Health Centres will be renovated)
- Constructing antiretroviral therapy (ART) Clinics in all the Districts
- Upgrading Mohlomi Hospital for the mentally impaired
- Constructing a Blood Transfusion Centre
- Building Capacity within the Ministry of Health and Social Welfare to strengthen programme planning and management
- Improving the capacity of the ECCD unit to plan, monitor and evaluate the health and hygiene status of children 0-8 years
- Supporting the development and implementation of quality assurance guidelines
- Curbing the spread of disease through training health personnel
- Improving medical waste management
- Increasing access to ARTs

ANNEX IV

The Integrated Framework (IF) programme achievements[8]

The IF for Trade Related Technical Assistance to LDCs, spearheaded by six multilateral institutions (World Band, UNDP, United Nations Conference on Trade And Development (UNCTAD), WTO, International Trade Center, and IMF), was extended to Lesotho in 2001. Lesotho did not benefit from the Window I funds but only benefited from the Window II, launched in 2006 and phased out in May 2009. The country has therefore achieved the following:

a) Development of an agro-sector wide strategy for export promotion
b) A review of the Investment Policy
c) Strengthening of capacity in the MTICM and awareness of IF trade related Technical Assistance
d) Establishment of the mushroom production project. (The production plant was set up at Masianokeng for the piloting of the project and now more than 40 farmers are beneficiaries, with some exporting to South Africa.)
e) Establishment of the peach project. (About 6.7 ha of land were planted with peach trees in 2008 and the first harvest is expected in 2011.)
f) Development of the Textile and Clothing Strategy in 2009
g) The Competition Policy Bill still under development
h) Establishment of the Entrepreneurial Skills Transfer programme which has already benefited more than 300 business people.
i) More than 3013 women have benefited from the Rural Areas Agro-cooperatives and Processors training.

[8] Source: Ministry of Trade and Industry, Cooperatives and Marketing (MTICM).

ANNEX V

Will Lesotho graduate from being an LDC?

One of the aims of the Brussels Programme for Action was to help countries graduate from Least Developed Country (LDC) status. There are three criteria used for identification of LDCs; low GNI per capita, weak human resources and high economic vulnerability. There has been discussion in recent years about whether Lesotho should graduate from its LDC status. Its GNI per capita was $1080 in 2008 (World Bank Atlas Method). Therefore, Lesotho is well above the graduation threshold of $900. However, as shown by Sections 2.2, 3.1 and 3.3, human development progress has been more mixed, largely due to the HIV and AIDS pandemic and chronic malnutrition. Furthermore, Lesotho's economy remains highly vulnerable; to changes in the SACU revenue pool, to changes in trade preferences, to changes in the exchange rate and to climatic instability.

Graduation from LDC status would be testimony to the efforts made by Basotho and development stakeholders during the period of the Brussels Programme of Action. However, performance on the other two criteria suggests that Lesotho is not yet ready to graduate from LDC status. The GoL will Endeavour to use special concessions given to LDCs, including concessional financing and trade waivers to improve its development status. Application of these criteria in other international development financing institutions would go a long way in assisting LDCs to close development deficits and achieve MDGs.